

Testimony of Ambassador Demetrios J. Marantis
Hearing on the Trans-Pacific Partnership
Before the House Committee on Ways and Means
Sub-Committee on Trade
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Thank you, Mr. Chairman and Members of the Committee. I appreciate the opportunity to testify today on the Trans-Pacific Partnership (TPP), a flagship trade initiative of the Obama Administration and a manifestation of the President's strategic focus on the Asia-Pacific region.

Two years ago today, the Obama Administration notified Congress of our intent to enter the TPP negotiations. Our objective was, and remains, to conclude an ambitious, next-generation, Asia-Pacific trade agreement that reflects U.S. economic priorities and values. Through this agreement, we are seeking to boost U.S. economic growth and support the creation and retention of high-quality jobs by increasing American exports to a region that holds great potential for U.S. workers, manufacturers, farmers, and ranchers.

Over the past nine quarters of recovery, U.S. real GDP is up 2.4 percent at an annual rate, and American exports of goods and services have contributed 1.2 percentage points to U.S. economic growth. The huge Asia-Pacific market already is a key destination for U.S. manufactured goods, agricultural products, and service suppliers. Last year, U.S. goods exports to the region comprised over 60 percent of total U.S. goods exports and nearly three-quarters of our total agricultural exports to the world. With some of the world's most dynamic economies, and representing more than 40 percent of global trade, the Asia-Pacific region presents significant new opportunities to increase exports that support higher-paying jobs here at home.

While U.S. exports to the Asia-Pacific region have continued to grow, the overall share of U.S. trade in the region has declined relative to other countries. One of the reasons for the fall in U.S. share is that many of these countries have aggressively moved to conclude bilateral or regional free trade agreements that give their companies an advantage over their U.S. competitors. Through the TPP, we are seeking to secure the job-creating economic opportunities this region has to offer, as we establish a pathway for regional economic integration in the Asia-Pacific. The TPP will level the playing field for U.S. workers and businesses in the important markets of the Asia-Pacific and will position them to compete in this dynamic region.

THE TPP FRAMEWORK

The United States is currently negotiating the TPP with eight countries -- Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam. We are starting with this economically-significant and regionally- and developmentally-diverse group of countries that share our vision for the TPP. Our goal is to build an agreement that expands out progressively to include countries across the Asia-Pacific region.

After notifying Congress two years ago of our intent to enter the TPP, the Obama Administration began developing negotiating positions in close consultation with lawmakers and stakeholders. We thoroughly reviewed our approach for each chapter of the proposed agreement, analyzing previous models and updating or completely revising them or developing entirely new texts to reflect U.S. interests and the competitive realities we expect our businesses and workers to confront over the coming years in this region. We held the first round of negotiations in March 2010. By the APEC meeting in November 2010, the Leaders had formally welcomed Malaysia and Vietnam into the TPP and these two countries were quickly integrated into the negotiations.

Last month, on the margins of the APEC Leaders meeting in Honolulu, the Leaders of the nine TPP countries had a chance to meet. The Leaders of the other eight TPP countries welcomed the passage by the United States of the Korea, Colombia and Panama trade agreements, which they viewed as a demonstration of U.S. resolve in advancing our trade agenda, including the TPP. President Obama and the other TPP Leaders took stock of progress made to date in the negotiations. They were informed that TPP negotiators have developed consolidated legal text for virtually every chapter, which cover all key trade and trade-related issues. In some areas, text is almost complete; in others, further work is needed before the text can be concluded.

Based on this progress, the nine TPP Leaders announced that their negotiating teams had reached the broad outlines of a TPP agreement.

The Leaders expressed satisfaction at the substantial progress the negotiations have made toward achieving their common vision of establishing a comprehensive, next-generation, regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st century challenges. They also reviewed and endorsed the report that their trade ministers had provided them on the five features that will define the TPP as a state-of-the-art, transformative agreement.

- First, the TPP will be a comprehensive agreement that eliminates both tariffs and other barriers to trade and investment. This approach will ensure that the agreement promotes trade and investment, creates new opportunities for American workers and businesses, and provides immediate benefits for our consumers.
- Second, the TPP will include rules and approaches that facilitate trade and the development of production and supply chains across the entire region. For the United States, this will promote linkages with Asia-Pacific supply chains and encourage companies to retain their operations – and jobs – in the United States and not have to relocate to ensure they can stay competitive.
- Third, the TPP will, for the first time in a trade agreement, address key cross-cutting trade issues, drawing on work undertaken in APEC over the last two decades. Among these issues are:

- Promoting regulatory coherence to help make trade between TPP countries more seamless and efficient. We are working on commitments to improve regulatory practices, eliminate unnecessary barriers, reduce regional divergence in standards, promote transparency, eliminate redundancies in testing and certification and promote cooperation on specific regulatory issues relating to industrial products while also strengthening the transparency and scientific requirements for regulations governing food safety and animal and plant health.
 - Encouraging competitiveness and business facilitation. We are discussing inclusion of the first-of-its-kind mechanism to facilitate enhanced dialogue between government and stakeholders on competitiveness even after the agreement enters into force. This will ensure that the implementation of the agreement continues to respond to the evolving needs of businesses and workers in the 21st century.
 - Addressing issues that small- and medium-sized businesses face in understanding how to use agreements such as the TPP to help them participate in global trade. America's small- and medium-sized businesses exported \$171 billion to the Asia-Pacific region in 2009. Through the TPP, we hope to provide opportunities to them to enable them to boost their sales significantly.
 - Supporting development. The level of development of some TPP countries increases the challenges in participating in a high-standard agreement. The United States and its TPP partners are working to identify tools to address this issue, both during the negotiations and after the agreement is implemented.
- Fourth, the TPP will address new issues and emerging challenges our companies and workers face in the 21st century. For example, developments in the digital economy, such as cloud computing, raise issues that earlier trade agreements have not addressed. Addressing these issues in the TPP can help facilitate use of this technology, which can particularly support small- and medium-sized enterprises seeking to use the tools necessary to compete in global trade. TPP partners are also exploring proposals on green growth, including commitments to address fisheries subsidies and illegal marine fisheries practices, illegal wildlife trade, and illegal logging and associated trade. The nine countries also are looking at ways to address the trade and investment distortions that can result from the special treatment governments provide to their state-owned enterprises.
 - Finally, the TPP will be a living agreement. The United States and our eight TPP partners share a common vision of expanding the agreement out to eventually include countries across the Asia Pacific and are committed to an open architecture that allows other countries to join as soon as they are ready to meet the high standards of the agreement. In addition to adding new partners, the nine countries want to ensure that we can update the agreement as necessary in response to developments in trade, technology, or other issues. The TPP countries also want to be able to address issues that may emerge as new countries join the agreement.

NEXT STEPS

The progress the United States and its TPP partners have made toward conclusion of an agreement with this group of countries is striking, especially given the complexity and ambition of the agreement. The TPP Leaders have agreed that we should use the momentum built thus far to seek to finalize the agreement within the next year. President Obama and the other TPP Leaders recognize that significant work still lies ahead, with challenging issues to resolve. But they agreed to make concluding the agreement a priority and instructed negotiators to try to do so as soon as possible to help boost economic growth and support job creation.

Last week, the U.S. team headed back to Asia for an intersessional round of negotiations in Malaysia, focusing on a select number of issues to press for further meaningful progress. We were able to narrow the gaps between the nine countries and to agree on ways to accelerate the overall process in the coming months. Some negotiating groups will meet again in January, and others are exchanging proposals and doing other preparatory work ahead of the next full round in March in Australia. In addition, the United States and its TPP partners have developed a work plan for the months ahead so that we can table the remaining outstanding text – including on labor, which is a priority for the Obama Administration – and then close both the legal texts and the market access packages as quickly as possible. Clearly, there are some difficult issues to work through, but the Leaders and trade ministers will be consulting regularly over the coming months to ensure continued progress and a successful conclusion to these negotiations.

INTEREST OF ADDITIONAL COUNTRIES

The United States has been working on the TPP for a few years now, but the APEC meeting last month was a new high-water mark in the visibility of this dynamic initiative. This was in part because of the interest expressed by Japan, Canada, and Mexico at the APEC meeting in joining the TPP. Their interest validated the TPP as the premier platform for economic integration in the region and the most promising pathway to a Free Trade Area of the Asia Pacific. For this reason, the United States and our TPP partners welcomed their announcements, as well as the expressions of interest of other countries that are looking at joining the agreement down the road.

Japan's interest, in particular, has generated much attention. As the third largest economy in the world and our fourth largest trading partner, its potential participation has enormous implications that we will need to consider seriously. The possible participation of Canada, our largest trading partner, as well as Mexico, also has major implications that we need to assess carefully.

The United States and its TPP partners have agreed on a process for considering new participants. Each country that has expressed formal interest in joining the TPP will consult bilaterally with each existing TPP participant in order to permit a thorough assessment of each applicant's readiness to meet the standards and objectives of the agreement. Once those bilateral processes are concluded, the current TPP partners will decide by consensus on the participation of any new countries.

We have started our own domestic consultation process to consider the interest of Japan, Canada and Mexico in the TPP. Last week, we published notices in the Federal Register seeking comments from stakeholders on issues related to these countries' participation and readiness, including input on trade and investment issues with respect to each country. We will consult with our cleared advisers, other stakeholders, and, of course, with Members of Congress throughout this process. We will also engage directly with each of these countries. Our bilateral processes will proceed entirely separately from the TPP negotiations, which we do not intend to slow down. None of these countries will participate in the TPP negotiations until each of the current nine TPP partners concludes its respective bilateral consultations with each of these countries, and until we and other existing TPP participants have agreed formally to include these countries in the negotiations. With the keen interest in Congress on this issue, we will consult with you closely and regularly on developments related to these bilateral consultations, and will formally notify Congress of our intent to bring any of these countries into the TPP, if and when the TPP partners decide to do so.

OUTREACH AND PARTNERSHIP WITH CONGRESS

This negotiation has benefitted significantly from the input received from innumerable stakeholders and from the close partnership the Obama Administration established with Congress even before the negotiations began. We have undertaken unprecedented outreach with stakeholders, and have had input from a broader range of groups than in any previous negotiation. Stakeholders have been invited to be on-site at each negotiating round to make presentations on their issues to negotiators from all TPP partner countries, and at each round we have provided updates and briefings to stakeholders on site. We also have arranged for stakeholders to meet with individual negotiating teams to discuss issues of interest to them. At the same time, USTR has met regularly with stakeholders in Washington and around the country as we pursue an unprecedented outreach strategy to hear from workers, farmers, ranchers, businesses, both large and small, and civil society groups who have input to provide us. This input has been tremendously helpful as we have developed and refined our negotiating positions, and will continue to be critical as we seek to successfully conclude the negotiations.

Our partnership with Congress on the TPP also has been integral and invaluable to our work, and represents the Congressional-Executive collaboration on trade at its best. We have consulted with Congress on each and every negotiating proposal early on in the process and well before what has been past practice so we could get your advice and guidance as we were beginning to develop our negotiating positions, and not wait until our positions were largely formed. There is no question that our proposals have benefitted from this more robust engagement. Of course, there are some issues on which we will have difficulties. But we appreciate the constructive dialogue and genuine effort to work together to find solutions that will allow us to realize our common goal of concluding this groundbreaking agreement. In the months ahead as we work to close the agreement, we will face some particularly difficult challenges. We are committed to maintaining the partnership we have established and recognize that we will need to continue to work together closely to solve them. I look forward to doing so.

The Obama Administration believes that in order to create the jobs Americans want at home, we must create more export opportunities abroad. Through the TPP, we are acting on that belief, and by playing a leading role in the development of the TPP, the United States is creating a state-of-the-art trade agreement that levels the playing field for American businesses. Once the nine existing TPP partners conclude an agreement, the TPP will serve as an engine for job-creating opportunities in the United States, and as other countries commit to meeting its high standards, it will continue to do so far into the future.

Thank you, Chairman Brady, Ranking Member McDermott and Members of the Subcommittee, for the opportunity to appear before you today. I look forward to answering your questions.